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## Woman C.P.A. Volume 8, Number 2, February, 1946

American Woman's Society of Certified Public Accountants

American Society of Women Accountants

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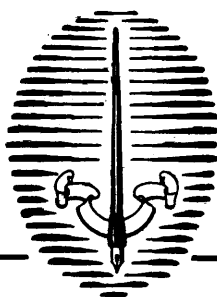
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# C.P.A. THE WOMAN



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F E B R U A R Y 1 9 4 6

*Official Publication*

AMERICAN WOMAN'S SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS  
AMERICAN SOCIETY OF WOMEN ACCOUNTANTS

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## EDITORIAL

Tentative plans are now being made for the annual meeting of the AWSCPA and ASWA to be held in New York about the middle of September. The exact time and program will be announced in a later issue of the bulletin. It is hoped that as many members as possible will avail themselves of the privilege of attending this meeting and the annual convention of The American Institute of Accountants, by planning their business or vacation trips accordingly.

\* \* \*

Grace A. Dimmer, C.P.A. of Detroit, has just announced the formation of a partnership with Dale E. Rose, under the firm name of Dimmer, Rose & Company, Certified Public Accountants and Tax Counselors, with offices in the Michigan Building. May this new enterprise prove most successful in every way.

\* \* \*

The members of the Grand Rapids Chapter of ASWA had quite a write-up in a recent issue of the Michigan Tradesman. In a full page article telling about the increased opportunities for women in accounting and the rapid growth of the two organizations AWSCPA and ASWA, special mention is made of some of the Grand Rapids members who have been active in advancing the interest of women in the profession.

Julia G. Norse, C.P.A. of Illinois, the first woman to practice as a certified public accountant in Grand Rapids, formerly of Chicago but now on the staff of Seidman & Seidman, at the request of the Girl Reserve Department of the Y.W.C.A., spoke over station WLAV on women in the field of accounting. Helen Gleason, Director of the Grand Rapids Chapter ASWA, spoke

on office management and its close alliance to accounting.

The article states that "the same two members represented the Chapter on Station WJEF's program for women called 'Around-the-town'. On both these programs the purposes and accomplishments of the society, the opportunities for women, and the requirements for membership in the society, were discussed."

This chapter has also sponsored a scholarship to a woman graduate of the Grand Rapids Junior College to be used in continuing study in this field.

THE EDITOR

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### NEW HONORS FOR OUR PRESIDENT

We are proud to report that the president of AWSCPA, Miss Ethleen Lasseter, has been chosen by a committee of seven Atlanta businessmen as Atlanta's Business Woman of the Year.

The Atlanta Journal quotes the chairman of that committee as follows:

"Miss Lasseter, working with a senior officer, helped plan and inaugurate the first bank analysis department in the city. She has contrived a system of continuous audit of trusts and estates, and individual audits of trusts, which is a step forward in the conservation of property and is bringing inquiries from the larger banks in other cities.

"She has devised a system of synopsis of trust accounts that is a singular contribution to trust work, which is also drawing attention to Atlanta leadership in many points outside our sections."

Miss Lasseter's election was based "not solely on the exceptional work she has continued to do in line of duty, but on the service she renders to her city by her constructive citizenship and by carrying Atlanta's name and fame across the country by speaking on national programs, by magazine articles with national circulation and by publicity for Atlanta that attends her leadership in the various activities in which she participates."

Congratulations, Ethleen, and may it be only the beginning of many honors for you!

\* \* \*

The Council of the American Institute of Accountants and the Advisory Council of State Society Presidents have approved a plan of coordination of activities of state societies and the Institute. A department will be created in the Institute whose full-time job will be to facilitate this service. The objectives of the plan are not only to furnish the state societies with information, advice, and assistance, but to develop such coordination of activities as will bring the full power and influence of the profession to bear in the solution of problems involving taxes, public relations, and professional ethics.

The Secretary of the Institute comments as follows regarding the launching of the plan:

"It is recognition of the fact that state societies of certified public accountants and the Institute are parts of one whole — the profession of the certified public accountant — and that the existence of the professional societies is justified only as convenient instruments for the advancement of the profession in the larger interest of the general public."

AWSCPA, too, is part of this whole and is proud to be an instrument for the advancement of the profession. While it renders a special service to women accountants — and thereby to the entire profession — nothing that it does encroaches on or supplants the work of any of the other accounting societies. All our members owe allegiance to the national and state societies and should strive at all times to further the objectives of those organizations and

to measure up to the highest standards set by them.

\* \* \*

The December issue of **THE CERTIFIED PUBLIC ACCOUNTANT** contains comments on the use of the **STRONG Interest Blank** in appraising the vocational interests of men and women accountants and of those who are considering the profession.

Of 2011 public accountants who filled out the **STRONG blank**, 59 were women. The report on the research project states that on the certified public accountant's and accountant's scales the women have median interest scales only slightly lower than those of men.

Considering the high mental caliber of the men to whom accounting appeals, we feel that the 59 women acquitted themselves well.

\* \* \*

The November News Bulletin of the Massachusetts Society of Certified Public Accountants carries a report of a meeting of women accountants in Boston in October at which Eleanor Walquist, treasurer of AWSCPA, Alice M. Blanchard, former secretary of the Albany chapter of the New York State Society of Certified Public Accountants, and Mrs. Eunice G. Donovan of Springfield, Massachusetts, were guests.

\* \* \*

In the January issue of **THE SPOKESMAN**, the official organ of the Pennsylvania Institute of Certified Public Accountants, Nathan McClure comments on the fact that the loss to business from embezzlements, etc., each year is reported by various sources to be in excess of two hundred fifty million dollars. This is a staggering penalty to exact for lack of proper accounting control, and, as Mr. McClure says, challenges our abilities to determine, and to convince our clients to correct, the weaknesses in organization which make such losses possible.

\* \* \*

The **SPOKESMAN** has also graciously said in its columns that **THE WOMAN C.P.A.** is a welcome bi-monthly visitor.

AWSCPA has up to this time never adopted a specific code of professional ethics. Those of our members who belong to the American Institute of Accountants or to their state societies are of course bound by the codes of those organizations. Because there are some who do not belong to these organizations it may be desirable for us to give consideration to the adoption or affirmation of a code of ethics.

Recent issues of The Certified Public Accountant contain some interesting comments on ethical problems of current interest.

The Committee on Professional Ethics of the American Institute of Accountants has prepared a memorandum on the ethical considerations entering into the choice of a name for a firm of public accountants, in which it states:

"The name of a firm of practicing accountants should denote a personal association. Such a firm should not adopt for its name any non-personal or misleading title. A corporate form of name would not be appropriate as the name of a firm of professional accountants."

On the old controversy about the use in a firm name of the names of former partners, the committee quotes a resolution adopted by the council of the Institute in 1943 to the effect that, in the opinion of the council "neither the public interest nor the interest of the accounting profession as a whole would be served by legislation preventing the use by public accounting firms of firm names or titles which contain the names of partners who have died or withdrawn from the firm."

The Massachusetts Society of Certified Public Accountants, just before the publication of a new Boston telephone directory, sent out notices to members reminding them that the Society's code of ethics prohibits the listing of names of members or associates in directories in special type

or in any manner which differentiates them from other names on the same list.

The Colorado Society of Certified Public Accountants, through its ethics committee, has expressed the opinion that the name of a member or of an associate placed upon an outside window constitutes advertising and is therefore in violation of the Society's code of ethics.

The Securities and Exchange Commission has criticized accountants for lending money to a client, whether or not the loan is evidenced by a note, on the grounds that such loans constituted "financial interest" and might impair the accountant's independence.

\* \* \*

The dictionary habit is one habit which, once acquired, you will never abandon. No one lives who is so erudite that he never needs to consult a dictionary, and no literate person who consults a dictionary whenever he hears or reads a word whose exact meaning he does not know can fail to become erudite. Accountants, whose work involves meticulous accuracy, should carry that urge for accuracy over into their use of the spoken and written word. With their fine flair for taking pains they should write and speak superlatively well.

JENNIE M. PALEN

I am only one, but still I am one; I cannot do everything, but still I can do something; and because I cannot do everything I will not refuse to do the something I can do.

EDWARD EVERETT HALE

Every man owes some of his time to the upbuilding of the profession to which he belongs.

THEODORE ROOSEVELT

# COAST - TO - COAST

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PAULA E. REINISCH, *Grand Rapids, Michigan*

**INVITATION TO ALL CHAPTERS.** Cleveland Chapter of ASWA, through its president, Marion A. Frye, extends an invitation to all chapters of AWSCPA-ASWA to attend a spring conference in Cleveland on the shores of Lake Erie, to be held June 1st and 2nd.

**PACIFIC COAST REGIONAL MEETING.** Our national ASWA president, Helen J. Maddex, will have a definite announcement in the April issue of *THE WOMAN CPA*, of the date, place of meeting and tentative program of the proposed Pacific Coast Regional Meeting of the Los Angeles, Seattle, Spokane and San Francisco chapters, to be held in the first part of May. All national officers are to be invited.

**MID-WEST REGIONAL DISTRICT MEETING.** The Indianapolis Chapter of ASWA was hostess to the first unofficial Mid-west Regional District Meeting on December 1st and 2nd at the Lincoln Hotel. Chicago, Cleveland, Detroit, Grand Rapids, Terre Haute, and Indianapolis chapters were well represented.

The Saturday evening session, attended by 86 members and friends, was of a social nature and devoted to the creation of good fellowship. Mr. Dick Mills was the guest speaker and Mrs. Eva Lou Tews the toastmistress. A style show and a quiz program completed the evening.

At the Sunday morning session Ethleen Lasseter, national president of AWSCPA, explained the rules and regulations governing the AWSCPA award to be presented to the outstanding ASWA chapter at the 1946 national convention. Emma Hey of Grand Rapids and Marion A. Frey of Cleveland discussed public relations, and Rachel Ann Niel spoke on the need for regional directors. Cecil M. Miner of Detroit told of her chapter's plan for an advisory committee and urged all to try to become certified public accountants. The meeting was a stimulating one, marked by animated discussion.

Copies of the proceedings of the Mid-west Regional District Meeting were sent to all chapter presidents in January. If

you have not received your copy please write Phoebe Comer, President of the Indianapolis chapter.

## ATLANTA

Mr. James S. Briggs, Vice-President of the Georgia Webbing & Tape Company, Columbus, Georgia, formerly associated with the Trust Company of Georgia and well known as a banker in Philadelphia and New York, brought a wealth of authoritative information to the Atlanta Chapter of ASWA when he discussed *Innovations in Financial Statements*.

## CHICAGO

A Christmas party at the Webster Hotel was enjoyed by the members of the Chicago Chapter of ASWA. Mr. S. Alexander Bell presented pictures taken during his trip to Galapagos Islands.

The Chicago Chapter accepted an invitation to attend the January meeting of the Soroptimist Club of Chicago, at which the Honorable Emilio Almada, Mexican Consul, spoke on *Mexico, the Good Neighbor*, and Manuel Hinojosa, Editor of the Spanish International Rotary Magazine, talked on *Inter-American Relations, a Latin American Viewpoint*.

## CLEVELAND

Theia Gebbie, First Vice-President and Chairman of the Public Relations Committee, was in charge of the December meeting of the Cleveland Chapter of ASWA, which was held at the Masonic Temple. Being the Christmas party of the organization, the meeting was preceded by a friendship hour. The speaker of the evening was Honor Gregory House, past president of the Women's Advertising Club of Cleveland, whose subject was *An Inside Glimpse of a Woman's Advertising Club*. Those who had attended the Mid-west Regional District Meeting in Indianapolis gave reports on the conference.

Esther Lindgren, Recording Secretary and Chairman of the House Committee, presided at the January meeting.

## DETROIT

In line with other ASWA chapters, Detroit members were in a holiday mood at their December meeting. A quiz conducted by Crystal Kilgour and Helen Heth on the origin and nature of Christmas celebrations constituted the serious part of the program.

*The Value of Aptitude Tests in Placing and Hiring Employees* was the subject of a talk given at the January meeting by Daniel L. Beck of the Executive Selection and Training Institute, who for many years was personnel director of one of the largest automobile manufacturing plants in Detroit.

## GRAND RAPIDS

Roy Weaver, a partner in the firm of Scudder, Lawrence & Co., was the guest speaker at the December meeting. He spoke on *The New Michigan Intangible Tax Law*, and led a round table discussion on personal income taxes.

Veterans of World War II at the Percy Jones Hospital at Battle Creek, were the recipients at Christmas of pipes contributed by the Grand Rapids Chapter.

Dorothy Jane Rothfuss is the newly appointed Chairman of the Educational Program.

President Nellie Joling and Miss Emma Hey represented the chapter at the Midwest Regional District Meeting.

J. Marie Korver, SK-3/c, is in the U. S. Navy, and is stationed at Alameda, California.

*Let's Glorify the Annual Report* was the title of the talk given at the January meeting by M. E. Hardaker, Treasurer and Controller of Wurzburg Dry Goods Company, and active member of Controller Congress of National Retail Dry Goods Association and Western Michigan Control of the Controller's Institute of America. The guests present included the presidents of the Coordinating Committee comprising the seventeen business and professional women's clubs in the City of Grand Rapids.

## INDIANAPOLIS

The Indianapolis Chapter followed the example of other ASWA chapters by forsaking the serious for the festive in its December meeting. A debate on *Is There Or Is There Not A Santa Claus* was part of the program.

## LOS ANGELES

Gracious and hospitable Jane E. Goode (Mrs. Arthur C. Clifton), recently appointed National Public Relations Chairman for ASWA, again opened her home for the annual Christmas party to members of the Los Angeles Chapter.

Ella Steinert has accepted chairmanship of the new Employment Committee recently created by the Board of Directors.

## NEW YORK

The members of the New York Chapter of ASWA, after an informal dinner, attended the December meeting of The New York State Society of Certified Public Accountants held on the Starlight Roof of the Waldorf-Astoria Hotel. Hon. Alger B. Chapman, New York State Commissioner of Taxation and Finance and President of the New York State Tax Commission, discussed allocation of income under the new Article 9 (a) of the State franchise tax law. Nathan H. Mitchell, Field and Deputy Tax Commissioner, and Director, Special Investigations Bureau, New York State Department of Taxation and Finance, told about the sources from which information is secured regarding fraud, and J. B. C. Woods, Chairman of the Society's Committee on State Taxation, spoke on changing tax laws in New York State.

## SAN FRANCISCO

*Changes in Corporation Income Taxes* was the subject chosen by Wallace D. Cathcart of Price, Waterhouse & Co. when he addressed the San Francisco Chapter of ASWA at their December meeting at Hellwig's restaurant.

Janice Haley is the new corresponding secretary, filling the post held by Mrs. Margaret H. Clarke, who was recently elevated to the vice-presidency.

## SEATTLE

An enthusiastic group of 35 members and guests attended the December meeting of the Seattle Chapter of ASWA. A completely revised constitution and by-laws were adopted. All members had been provided with a copy of the chapter contest regulations and emphasis was placed on membership, participation and cooperation. The instructive feature of the program was a talk on *Inventories*, very ably handled by Mrs. Alice Olsoe.

The January meeting was devoted to a panel discussion of *Taxes* under the direction of Helen Wilke. (continued on page 9)



# TAX NEWS

ALBERTA R. CRARY, *Whittier, Calif.*

## 1946 Tax Reduction Law— Revenue Act of 1945

The new Revenue Act effective on incomes received after January 1, 1946 brings the first reduction in taxes since taxes began increasing in 1932.

New withholding tax tables went into effect with the first payroll period ending after January 1, whereby the wage earners take-home pay is slightly increased.

Samples of the reductions in withholding rates are:

Wages Earned Per Week	Number of withholding exemptions					
	0	1	2	3	4	
\$25	4.40	2.50	.70	0	0	1946
\$25	5.00	3.10	1.10	.40	.40	1945
\$50	8.80	6.80	5.00	3.20	1.30	1946
\$50	10.30	8.20	6.30	4.40	2.50	1945
\$75	13.40	11.40	9.40	7.30	5.50	1946
\$75	15.80	13.70	11.60	9.50	7.50	1945

The tax withheld will total the amount of tax due on the above wage brackets in the Optional Tax Table for 1946, with a refund of approximately \$3.00 due the taxpayer in each example shown.

Tax reductions on individual incomes for 1946 are:

Normal tax: Rate the same—3%. Exemptions—\$500 for the taxpayer and \$500 for each exemption claimed, the same exemption as used in computing surtax.

Surtax: Rate reduced 3% on each surtax bracket. If the surtax net income is under \$2,000.00, the rate is 17% instead of 20% used in 1945. The 1946 rate on surtax net income in excess of \$200,000 will be 88%. The 1945 rate on this bracket was 91%.

Overall reduction: 5% of the total normal tax and surtax shall be deducted to arrive at the net amount of tax to be paid.

An example of the tax due from a taxpayer having an adjusted gross income of \$10,000 in both years appears at the bottom of the page.

The 1946 rates give a net saving of \$376.50, or slightly less than 16%.

Accountants engaged in public work will have to use both years' rates in preparing income tax returns to be filed before March 15. The 1945 rates will apply to the final returns, form 1040, for the year 1945. On the first estimated tax return for 1946, due March 15, the new rates will apply.

The government has mailed out the forms for the 1946 estimate of tax, 1040-ES. On the back of the declaration is the Optional Tax Table for 1946, and 1946 rates (Combined Normal Tax and Surtax before 5 percent reduction).

Taxes have started down in 1946. The years 1944-1945 have been the peak years for income tax rates. It will be interesting to watch possible future deductions in taxes. Is it possible that they will go back to the rates charged in 1932? A look at what the taxpayer whom we dealt with in the examples for 1945 and 1946 would have paid under the Revenue Act of 1932 is quite enlightening. We shall assume that the net income of the taxpayer is \$10,000: Example:

Net income .....	\$10,000	
Personal exemption .....	2,500	
	<u>\$ 7,500</u>	
Normal tax—4% on \$4,000.....		\$160.00
“ “ 8% on \$3,500.....		280.00
		<u>440.00</u>
Surtax .....		40.00
		<u>480.00</u>
Total tax under Revenue Act of 1932 .....		\$480.00

	1946	1945	
Adjusted gross income.....	\$10,000.00	\$10,000.00	
Optional deduction .....	500.00	500.00	
	<u>9,500.00</u>	<u>9,500.00</u>	
Two exemptions—surtax.....	1,000.00	1,000.00	
	<u>\$ 8,500.00</u>	<u>\$ 8,500.00</u>	
Surtax .....		\$ 1,875.00	\$ 2,130.00
Normal tax .....		255.00	270.00
		<u>2,130.00</u>	<u>2,400.00</u>
Less 5%.....		106.50	
Total tax.....		<u>\$2,023.50</u>	<u>\$2,400.00</u>

A comparison of the tax for the three years is as follows: 1945—\$2400, 1946—\$2,023.50, and 1932—\$480.00. It is apparent that the "Tax Reduction Act of 1946" is a small reduction for individuals when compared to previous tax laws. The average take-home pay, after taxes, of the individual worker will remain a large problem in employer-employee relations for some time to come.

(Editor's Note: We do not advocate a return to depression tax rates at this time. We fully recognize the problem of financing the war just terminated, and the added problems to be met by the Treasury in meeting financial demands of the postwar period.)

#### *Corporation Income Tax Reductions for 1946:*

**Normal Tax Rates**—Same as in 1945.

**Surtax Rates**—Surtax net income not over \$25,000. 6% instead of 10%. On incomes over \$25,000, but not over \$50,000 the surtax is \$1,500 plus 22% of the amount in excess of \$25,000. On corporations having surtax net incomes in excess of \$50,000 the rate is 14% on the entire surtax net income. Thus, on a corporation having a surtax net income of \$35,000, there would be a surtax of \$3,700 in 1946, as compared with \$4,700 in 1945. The surtax on a surtax net income of \$55,000 will be \$7,700 in 1946, as compared with \$8,800 in 1945.

**Excess Profits Tax**—Repealed for 1946 and later years.

**Capital Stock Tax**—Repealed—affecting taxable years ending after June 30, 1945.

**Declared Value Excess Profits Tax**—Repealed with respect to taxable years ending after June 30, 1946.

It is evident from the reductions listed for individuals and corporations that individual taxpayers will carry the heavier part of postwar income tax burden.

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COAST-TO-COAST (Continued from Page 7)

### **SPOKANE**

The Spokane Chapter of ASWA held their Christmas party in the Palm Room of the Desert Hotel. A very interesting and educational talk was given by Miss Elizabeth Dubois, who was a Captain in the Clubmobile Division of the Red Cross, and has recently returned from overseas duty.

Many prospective members were among the guests.

The January dinner meeting was preceded by a half hour study period on the subject of parliamentary law. The guest speaker for the evening was Virgil A. Warren, who chose *Advertising* as his subject.

The regional meeting to be held somewhere on the West Coast this spring was discussed in detail and made the subject of several resolutions forwarded to the National President.

### **TERRE HAUTE**

Terre Haute Chapter of ASWA announces the following officers for the ensuing year:

Marie Biewend, President; Rachel Ann Neil, Vice President and Public Relations Chairman; Gladys Thomas, Second Vice President; Orpha Hall, Treasurer-Finance Director; Mary Frances Ferguson, Secretary-Publicity Chairman.

The December meeting took the form of a Christmas dinner, arranged by Esther Evans, Charlotte Piepenbrink, Jane Rigney and Vera Laughlin.

Ten members attended the Mid-west Regional District meeting.

### **NEW MEMBERS**

ASWA welcomes as new members:

#### **Atlanta:**

Mrs. Katherine B. Carroll  
Mrs. Ruth S. Hubbard

#### **Chicago:**

Margaret Kraft  
Leona Adams  
Florence Peterson

#### **Grand Rapids:**

Agnes Flonk  
Alice Mosier  
Florence A. Turner  
Lenore Breen  
Ruth Klein  
Dorothy Phillips

#### **Seattle:**

Pearl Gilleland  
Mabel Heaton  
Clara Miller  
Ruth Thomas

AWSCPA welcomes as new members:

Gladys D. Neracker, of Rochester, New York. Miss Neracker is a member of the Business & Professional Women's Club and the Rochester Chamber of Commerce. She is employed by Rupert G. Fain & Company, Rochester.

Kathryn R. Ruka, Boscobel, Wisconsin. Miss Ruka holds a B.A. degree from the University of Wisconsin. She is with the State of Wisconsin, Milk Auditing Division, Department of Agriculture, Madison, Wisconsin.

# IDEA EXCHANGE

EMILY BERRY, *Indianapolis, Ind.*

Ten minute talks are a regular part of the program of our ASWA Detroit chapter. They are based on special knowledge and experience of the members, and their purpose is to share with other members information gained through work in a specific field.

Louise Fiori submitted a paper on *Office Management*, from which we quote in part. "Office management includes not only the personnel but also the methods, equipment, records and supplies. Assuming that the work procedure has been surveyed and determined to be efficient, it is next in importance that the equipment be checked as to its suitability to the person using it, and the purpose for which it is used . . .

"A clerk having a large number of computations to be made on a calculating machine, with only a few additions or subtractions, should not be permitted to tie up two pieces of equipment, but should be shown how to do all of her work on the calculator.

"An adequate supply department is essential to an efficient personnel . . . Desks should be placed a sufficient distance apart to assure concentration on the job at hand. Light, ventilation and the maximum of comfort should be considered in placing workers. Also, if files, mechanical equipment, or periodical checking with management are required in an assignment, the clerk should be seated in close proximity to such equipment or personnel to insure a smooth flow of work with a minimum loss of time . . .

"Office managers and personnel managers have to keep a sharp lookout for ability" and for the person who is "congenial and who takes pride in the duties she performs."

Some good personnel sources are "schools that specialize in training for the type of work demanded in the position open. Aptitude tests have also been helpful."

"When training an employee it is not sufficient to show the trainee how the work is done, but it should be presented to her in such a way that each step flows into the next, and each operation is mastered before an attempt is made to present the

next operation, so that the training becomes a continuous process which cumulatively builds upon what was previously learned. She must also be impressed with the responsibility of her position and how the accuracy and speed with which she performs her duties permit the remaining phases of the work to flow smoothly."

Marie Eerbeek, whose work brings her into contact with rail transportation problems, quite evidently shares with many of us the nostalgia for distant places which the names on box cars invariably arouse.

Unlike many of us, however, she also sees behind these cars a set of records. In her paper she comments that "... a vast amount of record keeping is necessary to keep track of every one of these cars, and it is no exaggeration to say that within three or four hours each railroad can tell you between what two points every one of the cars it owns is traveling.

"During the war the Interstate Commerce Commission issued a ruling that all cars unloaded could be loaded only with commodities going towards the home station. This caused a lot of complications because of the tremendous shortage of cars. For example, our own company may have wanted to load three carloads of merchandise all going east, and the only cars available were cars going west. Frequently it meant changing a whole operation in our plant in order to utilize the cars available."

She comments upon the division of the United States into territories in which different freight rates prevail and upon the work of the expert rate clerk, whose function is to find combinations of routes which will effect savings in freight charges. The rate clerks, she says, are one group of employees who have always been courteous and have not used the war as an excuse for rudeness.

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Someone has asked if any of you have had experience with dividing the year into thirteen equal periods, instead of the usual twelve months. If you have, please let us hear from you.

Don't forget to give us the benefit of your new ideas. Write the Idea Exchange.

# RIGHT DRESS

By THOMAS W. BYRNES, C.P.A.

There is a time and a place for everything. Memory pictures Aunt Sophronia and Uncle Asaph strolling on a Sunday afternoon in the early 1900's. She in a sedate tailor-made down-to-the-ground walking suit, and walrus-mustached he in a tall silk hat, frock coat, striped trousers, high button shoes, and Oh Yes, carrying a gold headed cane. Quite the mode in those days, but if they were to appear today what shrieks of raucous laughter that happy pair would evoke from the long-haired men and short-haired women one now sees in Sunday attire of open-neck sport shirts, slacks accentuating positive bulges in the wrong places, and sloppy foot-wear. In that earlier era business and professional persons, and their staffs dressed in keeping with the tenets of good taste while engaged in their daily tasks. If the changed attitudes toward leisure habiliments were confined to the hours of relaxation and places of comparative obscurity little fault would be found by non-conformists. However, the tendency of recent years has been to carry the informality of personal appearance into business, and one frequently finds office and other employees reporting for duty arrayed for hikes, the tennis court, and other types of recreation. That this spirit has been shared and the practice followed by young persons engaged in public accounting are the reasons for these lines.

A profession imposes obligations upon its practitioners. The outward appearance of dignity is one of them, and to observe this and to command the respect of the community as a professional, one must first look the part. Just because time seems to have outmoded the special Sunday suit custom of years gone by is no justification for carrying a continuous holiday atmosphere into one's workaday activities. Carelessness on the part of assistants in the matter of dress, and failure to evidence other outward indications of acquaintance with the requirements of respectability, have caused embarrassment to many accounting firms.

This writer deplores the tendency towards untidiness and without presuming

to suggest how the young accountant should present himself at his or the client's office, offers the following excellent advice taken from "Auditing Procedure" by Bacas, Madden, and Rosenkamp: "The public accountant should be neatly dressed. He should avoid gaudy attire and sporty clothes. He should naturally be clean and keep his clothes in good condition. Those who have business with a public accountant expect to deal with a person who is careful and conservative. If the appearance of the public accountant does not bring these qualities to mind, he is often at a disadvantage."

There is another worth-while side to the matter discussed above and it is the degree of assurance and self-confidence possessed by the person who knows that in any company his appearance is above reproach. To this feeling of self-esteem may be added what Dickens says in Martin Chuzzlewit "Any man may be in good spirits and good temper when he's well dressed."

Aspirants for recognition as professionals owe something also to their colleagues. It is hoped this article will remind those who are lax that their appearance is not in their own best interest or the interest of the profession.

While Mr. Byrnes' remarks are addressed to men, the general implications of his comments may be taken to heart by women. Certainly it is important that the woman accountant dress in a manner which is appropriate to the type of service she expects to perform. Mr. Byrnes is an instructor in advanced accounting at Columbia University and also serves as lecturer and associate professor. He is a member of The American Institute of Accountants and of the New York State Society of C.P.A.'s, and is a certified public accountant of New York and New Jersey.



*Theia A. Gebbie is a member of the Cleveland Chapter of the American Society of Women Accountants. Miss Gebbie is a financial analyst on Renegotiation for the Cleveland Ordnance District and has been affiliated with Renegotiation since January, 1943. Her prior experience was on the accounting, statistical, and clerical staffs of industrial concerns, social agencies, and the Cuyahoga County tax office. Miss Gebbie is also a member of the National Association of Cost Accountants and the National Writers' Club.*

## A GLANCE INTO RENEGOTIATION

By THEIA A. GEBBIE

### *Forerunners of Renegotiation*

The basis for most of the thinking on wartime profit control was the recognition that the people of this country were determined to prevent excessive profits in World War II. War profits always arouse public ire. The recollection of experiences during and after World War I convinced industry that if some businesses were allowed to make undue profits from war, all industry suffered.

Between February, 1919, and April 28, 1942, there were about 170 bills and resolutions introduced into Congress designed to reduce or eliminate profits on war production.

Following the United States' entrance into World War II on December 8, 1941, the procurement of war materials expanded rapidly. Many manufacturers were urged to undertake the manufacture of articles never produced before and subject to frequent change. Others undertook articles new to them, or increased production to amounts far beyond their previous small quantities.

The demands of war reflected through (1) revisions of specifications, (2) changes in quantities and rates of delivery, (3) shortages of materials and equipment, and

(4) manpower problems. It was practically impossible to forecast costs so that reasonable profits might be estimated.

Since most early war contract prices had their origin in small quantity production, the great increases in the volume of production and the rapid improvements in methods frequently brought profits far beyond those anticipated when contracts were originally made, and left many contractors with profits which they should not and did not wish to retain.

The cost-plus-fixed-fee contracts were widely used in the beginning, but even then it was believed that any flat profit limitation tended to promote inefficiency, was a stumbling block in the procurement program, and was sadly inequitable.

### *Renegotiation Becomes Law*

The enactment of the renegotiation law as Section 403 of the Sixth Supplemental National Defense Appropriation Act of 1942 was finally the result of certain suggestions and proposals made by the procurement services of the armed forces. This was effective as of April 28, 1942.

### *Later Revisions*

During 1943 the renegotiation law and its administration were examined by Congress. Four Congressional committees held

public hearings and in executive sessions examined carefully many renegotiation cases, particularly the cases of those who complained about the administration of the law.

As a result of these studies, a revision of the renegotiation legislation was initiated by the Committee on Ways and Means, of the House of Representatives, in September, 1943, and further considered by the Finance Committee of the Senate. This legislation, which was incorporated in the Revenue Act of 1943, became law on February 25, 1944. The revision followed closely the concept and scope of the 1942 law and, in general, strengthened and clarified the fundamental policies.

There were certain changes, however. One of the principal revisions was the exemption measured by sales volume which was increased from \$100,000 in 1942 to \$500,000 in 1943. While it was known that excessive profits existed in many smaller companies, it was recognized that all contractors could not be examined and renegotiated in a reasonable period. Also, the amount of excessive profits involved in these companies was usually not sufficient to warrant the effort and cost of renegotiation.

### ***Over-all Method Adopted***

The over-all method of renegotiation was adopted. This procedure permitted the contractor's profits on his entire war business to be examined for a specific fiscal period in order to reach an agreement for eliminating excessive profits on all contracts and subcontracts as a group and for that period. In this way, contractors might offset their losses on certain contracts against profits on other contracts during the same period.

The over-all method also reduced the administrative burden and saved time for the contractors and the Government. The use of the fiscal period for renegotiation facilitated the use of the regular financial and accounting material of contractors.

### ***War Contracts Board***

The authority and discretion to administer the Renegotiation Act of 1943 was conferred upon the War Contracts Board with power of delegation. The Board is composed of six members, one each from the War Department, the Navy Department,

the Treasury, the Maritime Commission or the War Shipping Administration, the Reconstruction Finance Corporation, and the War Production Board.

The Board may, in its discretion, review any determination made by any officer or agency to which its powers have been delegated, and has the authority to make a redetermination of the amount of excessive profits. However, where a determination with respect to the amount of excessive profits of a contractor or subcontractor is embodied in an agreement between the contractor or subcontractor and a duly authorized representative of the Board, such agreement is conclusive according to its terms and shall not be subject to review by the Board.

### ***Assignment for Renegotiation***

Assignments of contractors are ordinarily made to the Department or Service believed to have the predominant interest in the assigned contractor's renegotiable business. Some assignments are made, however, by considerations of geographic convenience and other reasons. For instance, it has been found advantageous to assign concerns which produce the same or similar products to the same Department or Service.

The War Contracts Board may cancel the assignment of any contractor on the ground that it clearly appears that no excessive profits were realized by the contractor. However, cancellation of an assignment does not constitute a formal clearance. If a contractor desires a clearance of its responsibilities under the Act, renegotiation must be completed and a clearance issued in the regular manner.

### ***Determination of Renegotiable Business***

In order to determine whether a contractor's profits received or accrued under renegotiable contracts and subcontracts are excessive, it is necessary first to determine the amount of renegotiable business and the profits thereon.

It is the contractor's responsibility to make the segregation of sales and the allocation of costs and expenses between renegotiable and nonrenegotiable business. However, the segregation and allocation must be satisfactory to the Department conducting the renegotiation.

The Renegotiation Act prescribes what type of contracts are subject to renegotiation. In practice, there often is difficulty in tracing and identifying all sales with exactness, especially subcontract sales where the products are far removed from the end use. Each contractor must decide what method will result in the most equitable segregation of sales.

Often there is more than one method available for segregating sales between negotiable and nonrenegotiable business. In that event the methods available for equitably allocating the cost of sales are carefully considered before a final determination is made as to the method to use in segregating sales. In general, some such classifications for segregating sales and allocating costs and expenses are:

- (1) Industry, customer or customer group.
- (2) Product or group of products.
- (3) End use classifications as shown on reports to the War Production Board.
- (4) Division, department or plant, wherein the extent of renegotiation can be determined.
- (5) Periods of the year, where the percent of business subject to renegotiation varies with the period.

#### ***Determination of Excessive Profits***

After the profits pertaining to renegotiable business have been determined, there must be a determination of the amount, if any, which is excessive under the Renegotiation Act.

Under war conditions the Government is the nation's principal buyer. Its purchases are paid for by taxation and borrowing. The lower the costs of production and the prices paid directly or indirectly by the Government, the less will be the financial burden on the people of the country. Since prices are composed of costs and profits, renegotiation is in effect an over-all repricing. Where prices have been so high as to produce excessive profits, the adjustment of prices may be accomplished through an adjustment of the profits included therein.

All the facts applicable to the contractor's business for the year being renegotiated are examined and considered. The profit considered is that before Federal taxes on income. There is no formula for determining excessive profits; it is a matter

of judgment. Some of the principles given consideration are:

- (1) The relationship of profit to sales.

It is generally recognized that sales to the Government under war contracts should not result in profits as great as those which might be earned on a similar volume of peacetime business acquired in a freely competitive market. Profits on war business are paid involuntarily out of taxes by citizens.

- (2) The efficiency of the contractor with regard to the quantity and quality of production, the reduction of costs and economical use of materials, facilities, and manpower.

- (3) Corresponding profits in prewar base years of the contractor and for the industry. (Generally, the years 1936-1939 are used as a base period.) The rate of profit made on peacetime business is not necessarily a basis for profits to be made on war contracts, but it is significant.

- (4) The effect of volume on costs and profits. In general, the margin of profit on expanded war sales should be reduced in reasonable relationship to the expanded volume.

- (5) The varying characteristics among several classes of production or between peacetime and war business; the complexity of the manufacturing technique, and the character and extent of the subcontracting.

- (6) The amount and source of public and private capital employed and the net worth. This concerns the proportion of the plant or equipment or materials supplied by Government agencies or other contractors, and the amount of facilities covered by certificates of necessity. Where a large part of the capital or facilities is furnished, the contractor's contribution tends to become more of management only.

- (7) The risk incident to reasonable pricing policies. The contractor who overprices has taken little responsibility for increases in cost of materials and wages, guaranties of quality and performance of the product, or any such risk.

- (8) Contribution to the war effort, including inventive and developmental contribution and cooperation with the Government and other contractors in supplying technical assistance.

### ***Elimination of Excessive Profits***

When an agreement has been reached with a contractor for the elimination of excessive profits as a result of renegotiation, such agreement is evidenced by the execution of a renegotiation agreement. In most instances the contractor has been assessed Federal income and excess profits taxes on the profits to be eliminated, and a credit equal to the amount of such taxes is allowed against the refund to be made by the contractor. This refund may be made by the contractor in a single payment or in installments as the agreement may provide.

### ***Discussion***

The surface view of renegotiation pictured above deals primarily with the cooperative contractors, those who realize that the motivating idea is ethical and

fair. There are some non-cooperative contractors, and there are some contractors who consider the treatment they have received under renegotiation to be unfair. In such cases a unilateral determination may be issued involving subsequent review by the War Contracts Board and the right to appeal to the Tax Court.

In the main, however, renegotiation is accepted as an expedient—an attempt to correct some of the difficulties in relation to excessive earnings from war. Until competitive conditions are again established, renegotiation is somewhat of a leveling agent and accepted by some contractors as such.

Renegotiation has not tried to determine what are fair and accurate costs. The underlying thought and approach to renegotiation concerns the elimination of excessive and inordinate profits.

## **PRONOUNCE IT CORRECTLY**

By JENNIE M. PALEN, C.P.A.

Accounting, like all learned professions, has a technical vocabulary. All good accountants know this vocabulary and the nuances of its meanings. Astonishingly enough, however, some of the top-grade accountants do not pronounce some of these words correctly.

As an example let us take the word *amortize*, a word which every accountant uses over and over again. Dictionaries agree that the accent is on the second syllable. Yet in accounting offices and even on the floor and platform of accounting society meetings one hears it constantly pronounced with the accent on the first syllable. The related noun *amortization* is properly pronounced *a-mor' ti-za' tion*, with the primary accent on the fourth syllable and the secondary accent on the second syllable, but we seldom hear it that way. We hear, instead, *am' or-ti-za' tion*, with the secondary accent incorrectly placed on the first syllable.

Then there is the word used in describing that part of the accountant's report which details its contents. The word is *presentation* and the *e* in the first syllable is short; thus, *prez' en-ta' tion*. But do most of us pronounce it that way? We do not! Ninety-nine percent of us say *pree' zen-ta' tion*! We are not, of course,

alone in this error. Many an award presented at distinguished affairs is described by the presiding officer and by the radio commentators who subsequently report the affair as a *pree' zen-ta' tion*. So far no dictionary has given this pronunciation the accolade of its approval.

The words *comparable* and *comparably* do yeoman service for the accounting profession. A high ranking government official recently pronounced these words *com-par' a-ble* and *com-par' a-bly* in an able speech which was eagerly listened to by accountants. Webster says *com' par-a-ble* and *com' par-a-bly*. Many accountants are guilty of mispronouncing both.

There is also the word *finance*. The accent is on the second syllable. But far, far too often do we hear it pronounced *fye' nance*. At an important public dinner held recently a minister, one of the principal speakers, was guilty of this error. Let us not be smug about that, however. Ministers are not expected to know as much about finance as we.

Ministers also have been known to trip, along with some of us, on the word *resources*, but this word, too, is one of the tools of our profession and WE should know that the accent is on the second syllable, not on the first.



# WHAT'S NEW IN READING

SUSIE SUDDERTH, *Atlanta, Georgia*

**"History of World War II,"** by Francis Trevelyan Miller, with a board of historical and military authorities (The John C. Winston Co.).

This is an excellent report on World War II.

The first few chapters cover the Victory, followed by a swift narration of the "Phenomenon of Hitler", the "Nazi plot to conquer the World", the insolence of Hitler in the middle thirties, and his infamy as he becomes more sure of himself and his henchmen.

If the events of the past five years seemed to be carrying you along at a breathless speed, Dr. Miller's book is even more like a ride on a roller coaster, and it is difficult to find a place to put it down. It is long—over a thousand pages in all—but the style is simple and forthright. The eminent critic, J. Donald Adams, says "we have been living like men who are striving to keep a small boat afloat in a heavy sea. We are smothered under facts and we need . . . to find a quiet space in our minds to take in their significance." But the facts themselves are so easy to forget and here we have them in one volume. The organization of the armies, the cost of the war in destruction of human lives and property and the economic losses, the "causes which created this human tragedy", are all here. Dr. Miller feels, with so many others, that a clear understanding of World War II is essential for our own self-preservation; and he has endeavored to give us this understanding.

Scattered throughout the book are over a hundred pages of photographs taken by the Army, Navy, Signal Corps, and newspapers. These add much to the enjoyment of the book.

Altogether I should say that this book will have a wide appeal now and will continue to be a valuable source book of World War II history.

**"Tomorrow's Business,"** by Beardsley Ruml (Farrar & Rinehart, Inc.) 238 pages.

This is a summary of Mr. Ruml's views on business. He says in his opening sen-

tence that this book is "about business as an instrument of authority and power." With this as his theme he sets out to impress business men with the potency of the business under their control.

Mr. Ruml points out that business serves a three-fold purpose: it provides all of us with "things to use," it provides some of us with "things to do" and it provides others with a "place for savings." In turn business is responsible to the stockholders, to the suppliers of raw materials in many cases, to the consumer, and to the employee.

The ideal of human freedom is strong throughout the book and Mr. Ruml believes that it is the place of business to arbitrate for all so that this freedom will be best preserved. He warns, though, that "the cliches of freedom may become the mask behind which the love of power will organize its new exploitations."

As would be expected, Mr. Ruml points out the economic evils of corporation taxes, and emphasizes the good that would come to business and thus to every individual if these taxes could be abolished.

It is definitely a "thoughtful" book, and it will undoubtedly receive much attention because of Mr. Ruml's already established reputation for the practicability of his ideas.

**"Talking Shop"** (TAXES, December, 1945) by Bert V. Tornborgh, CPA.

This regular feature of the Tax Magazine, an informal discussion of current ideas and trends, is devoted in December to the subject of education; or more specifically, to the relationship of taxes to public education, and whether taxes should be kept high in order to provide more funds for education.

As in all steps toward socialization, with stupendous sums of money involved, there are disadvantages and dangers that seem sometimes to outweigh the benefits. Since, however, education is one of the very things to which the new world is looking for salvation, it behooves all of us to give consideration to the matter.